

MONTHLY REVENUE REPORT

May 2003

Michigan's major General Fund and School Aid Fund earmarked taxes generated \$1.19 billion in revenue in May, which was down 11.8% from the year-ago level. While this sharp decrease in tax collections was due in part to the ongoing weak level of economic activity, a large portion of this decline was attributable to noneconomic fluctuations in the timing of monthly tax collections. Based on a three-month moving average, which helps filter out these monthly fluctuations, collections in May were down only 3.0%. Based on the new consensus revenue estimates, the state of the economy, and estimates of the impact of the major factors affecting the timing of collections, it was anticipated that May tax collections would fall well below last year's level, but the actual decline was even larger than expected. Most of the major taxes, including the income, sales, use, single business, insurance, State education, estate, and casino wagering taxes, experienced declines in revenue in May. On a fiscal year-to-date basis, tax collections are down 2.0% from the comparable year-ago level.

Gross income tax revenue, which includes the amount collected through withholding, quarterly, and annual income tax payments, declined 4.5% in May to \$497 million. More than half of this decline can be attributed to the reduction in the income tax rate, which is currently 4.0% compared with 4.1% last year at this time. In addition to the ongoing collection of income tax payments, refunds were also paid to taxpayers in May in response to overpayments of the income tax and property tax credits that were claimed by taxpayers on their 2002 annual returns. These refunds totaled \$242 million in May, which was up 29.2% from last year's level. Given May's gross income tax collections and refunds, net income tax collections totaled \$256 million for the month, which was down 23.4% from last year's level. So far this fiscal year, net income tax collections are down 6.0%.

Sales tax collections totaled \$483 million in May, which represents a decline of 6.0% from the year-ago level. Sales tax collections from motor vehicle transactions were up 11.2% in May, but sales tax collections from all other taxable retail sales were down 9.7%. Sales tax collections are particularly susceptible to noneconomic fluctuations in monthly collections, particularly when a month ends on a weekend, as did May. Using a three-month moving average to help smooth out these noneconomic fluctuations reveals that sales tax collections were up 0.9% in May. On a fiscal year-to-date basis, sales tax collections are down 0.5%.

Single business and insurance tax collections totaled \$201 million in May, which was down 20.8% from last year's level. This sharp decline can be attributed to the continuing decline in employment, weak business profits, and some shifts in the timing of payments compared with last year. Using a three-month moving average, these business tax collections were down 7.4% in May. So far this fiscal year, single business and insurance tax collections are down 7.3%.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for May 2003, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revised revenue estimates for FY 2002-03, which were adopted at the May 2003 Consensus Revenue Estimating Conference.

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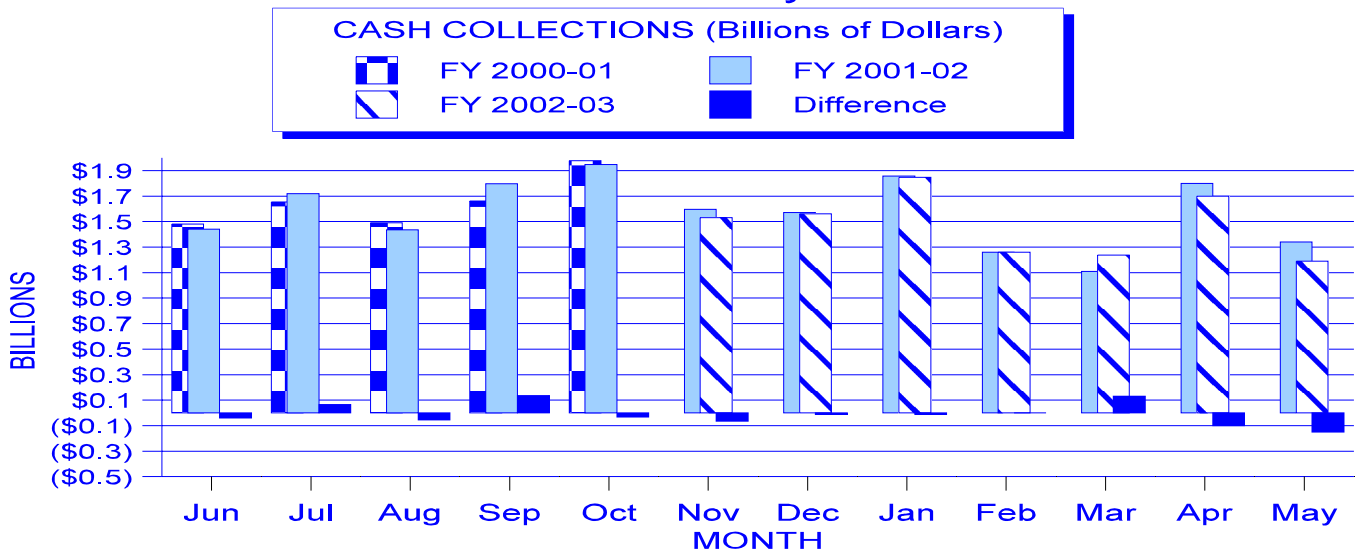


MICHIGAN REVENUE UPDATE
MAY 2003
(dollars in millions)

Type of Revenue	May Collections		FY 2002-03 to Date ²⁾		FY 2002-03 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Gross Income Tax	\$ 497.3	(4.5)%	\$,467.5	(2.3)%	\$7,473.7	(0.9)%
Refunds	(241.8)	29.2	(1,358.7)	7.5	(\$1,493.8)	3.2
Net Income Tax	\$255.5	(23.4)%	\$3,108.8	(6.0)%	\$5,979.9	(1.9)%
Sales Tax	483.0	(6.0)	3,597.3	(0.5)	6,504.1	1.0
Motor Vehicles	99.1	11.2	562.7	(3.8)	---	---
All Other Sales Tax	383.9	(9.7)	3,034.6	0.1	---	---
Use Tax	94.2	(15.6)	691.8	(8.7)	1,257.2	(3.8)
Tobacco Taxes	74.1	52.2	499.3	48.6	867.9	29.5
Single Business Tax	179.5	(21.8)	1,083.0	(9.2)	1,895.6	(4.4)
Insurance Tax	21.6	(12.2)	146.1	9.8	250.8	10.4
State Education Property Tax	33.8	(8.9)	903.7	0.2	2,117.2	33.7
Real Estate Transfer Tax	22.9	7.5	142.2	7.1	260.0	2.7
Estate/Inheritance Tax	6.8	(48.5)	66.2	(21.7)	102.3	(21.9)
Casino Gaming Tax	7.5	(5.1)	52.4	(3.0)	91.0	(1.0)
Oil & Gas Severance Tax	7.5	141.9	32.1	88.8	42.0	36.8
Total	\$1,186.4	(11.8)%	\$10,322.9	(2.0)%	\$19,368.0	3.0%
Addendum:						
Gross Lottery Sales 4)	\$161.6	2.9%	\$1,133.9	(2.8)%	\$1,680.0	(0.4)%
Net to School Aid Fund 4)	\$ 58.2	8.4%	\$ 401.7	(4.7)%	\$ 588.0	(4.2)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2002-03 year-to-date collections begin with November 2002 collections to reflect accrual accounting.
- 3) Revenue estimates adopted at the May 13, 2003, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2002-03 lottery revenue will include October 2002 to September 2003.

Actual Revenue Collections for Major State Taxes*
June 2001 to May 2003



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.